

Auditor General (S.A)
Registered Auditors

MAKHADO LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2016



MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

General Information

Executive committee
Mayor and chairperson of executive committee
Municipal manager
Speaker
Chief whip
Councillors

F D Mutavhatsindi (Full time Mayor)
IP Mutshinyali
L.B Mogale
Ludere R (Full time Chief WIP)
Mukhaha A.J
Hlugwani A.K
Mathoma M.P
Hlabioa M.M
Mazibuko M.P
Rekhotso S.M
Makhuvha V.S
Madavhu F.F
Tshavhuyo T.G
Ndzovela N.G
Luduvhungu V.S
Tshilambiyana M.S
Makhubele R.T
Mthombeni S.Z
Masuka S
Mogale L.B (Full time Speaker)

Maphahla A.Z
Machele M.S
Mamatha T.C
Mahladisa S.V
Du Ploy A (Exco member)
Davhana N.D (Full time Exco member)
Mamatiani M.S
Selepe R
Rasimphi M.P
Kutama N
Matodzi A.M
Mimbadi T.A
Munyai N.S
Madzhiga F.N
Thandavhathu N.R (Full time Exco member)
Malange R (Exco member)
Mathalise L.M
Nemathohoni M.G
Mamatha T.J
Magada M.R
Chillo N.F
Neluvhola T.A
Hlongwane F.B
Malima M.E
Baloyi N.B
Ludere E.H
Nkanyane R.G (Exco member)
Balibali N.P
Mathala N.A

General Information

Auditors	Postal address	Business address	Registered office	Accounting Officer	Chief Finance Officer (CFO)	Grading of local authority
		</				

Index

The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Index

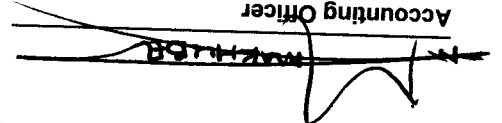
Accounting Officer's Responsibilities and Approval	5
Statement of Financial Position	6
Statement of Financial Performance	7
Statement of Changes in Net Assets	8
Cash Flow Statement	9
Statement of Comparison of Budget and Actual Amounts	10
Accounting Policies	10 - 32
Notes to the Annual Financial Statements	33 - 67
The following appendices does not form part of the annual financial statements and is unaudited:	
Appendix A: Schedule of External loans	68
Appendix B: Analysis of Property, Plant and Equipment	69
Appendix C: Budgeted Financial Performance (revenue and expenditure by municipal vote)	75

Abbreviations

COLD	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MfMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

31 August 2016

Accounting Officer



The annual financial statements set out on pages 6 to 67, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2016.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The municipality is mainly dependent on the government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Makhado Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

Accounting Officer's Responsibilities and Approval

Annual Financial Statements for the year ended 30 June 2016
MAKHADO LOCAL MUNICIPALITY

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Position as at 30 June 2016

Figures in Rand

	Note(s)	2016	2015	Restated*
Assets				
Current Assets				
Inventories				
Receivables from exchange transactions				
Receivables from non-exchange transactions				
Consumer debtors - Exchange transactions				
Consumer debtors - Non-exchange transactions				
Cash and cash equivalents				
Non-Current Assets				
Investment property				
Property, plant and equipment				
Intangible assets				
Heritage assets				
Non-Current Assets				
11 869 731	8	11 685 312	11 869 731	
1 698 802 161	9	1 776 162 316		
1 287 333	10	1 531 287		
2 115 329	11	1 566 329		
1 713 890 135		1 791 129 663		
Current Assets				
309 282 609		271 806 669		
1 713 890 135		1 791 129 663		
1 713 890 135		1 791 129 663		
Liabilities				
Current Liabilities				
Other financial liabilities				
Finance lease obligation				
Payables from exchange transactions				
VAT payable				
Employee benefit obligation				
Unspent conditional grants and receipts				
Consumer Deposits				
Deferred Income				
Non-Current Liabilities				
Other financial liabilities				
Finance lease obligation				
Employee benefit obligation				
Provisions				
Non-Current Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674		117 933 257		
Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Current Assets				
125 697 674		117 933 257		
125 697 674		117 933 257		
Liabilities				
125 697 674		117 933 257		
125 697 674				

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Statement of Financial Performance

Figures in Rand

	Note(s)	2016	2015	Restated*
Revenue				
Revenue from exchange transactions				
Service charges		283 998 071	254 446 922	
Rental of facilities and equipment		271 034	289 187	
Interest received - outstanding debtors		8 060 616	7 830 081	
Licences and permits		8 910 195	10 610 914	
Other income		8 451 062	7 736 628	
Interest received - investment		7 213 850	3 719 527	
Total revenue from exchange transactions		316 904 828	284 633 259	
Revenue from non-exchange transactions				
Taxation revenue				
Property rates		51 678 469	40 639 127	
Transfer revenue				
Government grants & subsidies		501 749 322	446 854 369	
Fines, Penalties and Forfeits		7 516 622	5 844 485	
Total revenue from non-exchange transactions		560 944 413	493 337 981	
Total revenue		877 849 241	777 971 240	
Expenditure				
Employee related costs				
Remuneration of councillors		(222 608 898)	(212 743 322)	
Depreciation and amortisation		(22 757 811)	(21 798 349)	
Impairment of non cash generating assets		(106 225 064)	(102 009 149)	
Finance costs		(3 500 262)	(4 341 680)	
Debt Impairment		(13 733 802)	(10 896 330)	
Repairs and maintenance		(51 176 994)	(24 309 745)	
Bulk purchases		(39 770 804)	(20 508 166)	
General Expenses		(219 288 145)	(183 246 320)	
Total expenditure		(847 902 290)	(710 826 754)	
Operating surplus/deficit		29 946 951	67 144 486	
Operating surplus		29 946 951	67 144 486	
Total expenditure		(847 902 290)	(710 826 754)	
Surplus for the year		29 946 951	67 144 486	

MAKHADO LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2016

Statement of Changes in Net Assets

Figures in Rand

	Accumulated surplus	Total net assets
Restated balance at 01 July 2014	1 708 494 700	1 708 494 700
Changes in net assets		
Surplus for the year	67 144 486	67 144 486
Total changes	67 144 486	67 144 486
Balance at 30 June 2015	1 775 639 186	1 775 639 186
Prior Year Adjustment	(104 867 764)	(104 867 764)
Balance at 30 June 2015 - Restated	1 670 771 422	1 670 771 422
Surplus for the year	29 946 951	29 946 951
Balance at 30 June 2016	1 700 718 373	1 700 718 373

Cash Flow Statement

Figures in Rand

	Note(s)	2016	2015	Restated*
Cash flows from operating activities				
Receipts				
Property rates		83 512 236	41 555 788	
Service charges		372 650 267	233 248 193	
Grants		547 860 025	487 719 273	
Interest income		7 213 850	3 719 527	
Other income		8 451 071	38 672 928	
		<u>1 019 687 449</u>	<u>804 915 709</u>	
Payments				
Employee costs		(232 857 652)	(194 605 309)	
Remuneration of council		(22 757 811)	(21 798 349)	
Finance costs		(13 741 218)	(10 896 330)	
Payment to suppliers		(513 731 179)	(432 250 573)	
		<u>(783 087 860)</u>	<u>(659 550 561)</u>	
		<u>1 019 687 449</u>	<u>804 915 709</u>	
Net cash flows from operating activities	37	236 599 589	145 365 148	
Cash flows from investing activities				
Purchase of property, plant and equipment	9	(164 524 508)	(141 891 046)	
Acquisition of intangible assets	10	-	(558 148)	
		<u>(164 524 508)</u>	<u>(142 449 194)</u>	
Net cash flows from investing activities		(164 524 508)	(142 449 194)	
Cash flows from financing activities				
Repayment of borrowings		-	(1 300 179)	
Movement in deferred income		11 456	18 446	
Operating lease		-	(11 400)	
Proceeds from finance lease liability		(3 921 646)	(4 130 773)	
Movements in consumer deposits		929 273	(2 200 156)	
		<u>(2 980 917)</u>	<u>(7 624 062)</u>	
Net cash flows from financing activities		(2 980 917)	(7 624 062)	
Net increase/(decrease) in cash and cash equivalents		69 094 164	(4 708 108)	
Cash and cash equivalents at the beginning of the year		47 449 950	52 158 058	
Cash and cash equivalents at the end of the year	7	116 544 114	47 449 950	

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand					
Approved	Adjustments	Final Budget	Actual amounts	Difference	Reference
on comparable basis				between final budget and actual	

Statement of Financial Performance

Revenue					
Revenue from exchange transactions					
298 584 000	6 638 000	305 222 000	283 998 071	(21 223 929)	49
Service charges					
Rental of facilities and equipment		449 000	271 034	(177 966)	49
Interest received (trading)		11 981 000	8 060 616	(3 920 384)	49
Licences and permits		11 251 000	8 910 195	(2 400 805)	49
Other income		17 162 000	8 451 071	3 105 071	49
Interest received - investment		3 285 000	7 213 850	3 428 850	49
Total revenue from exchange transactions	342 712 000	(4 618 000)	338 094 000	316 904 837	(21 189 163)
Revenue from non-exchange transactions					
43 642 000	6 070 000	49 712 000	51 678 469	1 966 469	49
Taxation revenue					
Property rates					
Transfer revenue					
Government grants & subsidies		363 596 000	501 749 322	138 153 322	49
Fines, Penalties and Forfeits		1 641 000	7 516 622	5 875 622	49
Total revenue from non-exchange transactions	408 879 000	6 070 000	414 949 000	560 944 413	145 995 413
Total revenue from exchange transactions	342 712 000	(4 618 000)	338 094 000	316 904 837	(21 189 163)
Total revenue from non-exchange transactions	408 879 000	6 070 000	414 949 000	560 944 413	145 995 413
Total revenue	751 591 000	1 452 000	753 043 000	877 849 250	124 806 250

Expenditure					
(241 177 000)	(11 088 000)	(252 265 000)	(222 608 898)	29 656 102	49
Personnel					
Remuneration of councillors		(22 610 000)	(22 757 811)	2 239 189	49
Depreciation and amortisation		(153 426 000)	(106 225 064)	47 200 936	49
Impairment loss/ Reversal of impairment		-	(3 500 262)	(3 500 262)	49
Finance costs	(6 181 000)	(1 162 000)	(7 343 000)	(13 733 802)	(6 390 802)
Bad debts written off	(10 000 000)	(20 000 000)	(30 000 000)	(51 176 994)	(21 176 994)
Repairs and maintenance	-	-	-	(39 770 804)	(39 770 804)
Bulk purchases	(216 939 000)	(7 300 000)	(224 239 000)	(219 288 145)	4 950 855
General Expenses	(184 796 000)	(55 349 000)	(240 145 000)	(168 840 510)	71 304 490
Total expenditure	(835 129 000)	(97 286 000)	(932 415 000)	(847 902 290)	84 512 710

Accounting Policies

1. Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP. The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

1.1 Presentation currency

These annual financial statements are presented in South African Rand.

1.2 Going concern assumption

These annual financial statements were prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the municipality's accounting policies the following estimates, were made:

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Impairment testing

The recoverable amounts of non-cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the management assumption may change which may then impact our estimate.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Other provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Post retirement benefits

Post-employment benefits offered by the entity take the form of defined benefit plans. The cost of defined benefit pension plans, other post employment medical benefits, and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

Provision for rehabilitation of landfill site

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value at 9.50%, representing the time value of money.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the how the condition and use of the asset informs the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

Deferred income

Prepaid electricity liability portion is estimated based on the average unit sales and rate per unit as at 30 June 2015 and 30 June 2016 based on the Contour Prepaid Electricity vending system.

Heritage assets

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives. The valuation of heritage assets is dependent on the type of the asset and the availability of reliable information. Management makes estimates and assumptions about factors such as the restoration cost, replacement cost and cash flow generating ability in estimating fair value.

Impairment of non financial assets

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of the asset and is recognised in surplus or deficit in the period of retirement or disposal. Proceeds and the carrying amount of investment property is the difference between the net disposal

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Accounting Policies

1.5 Property, plant and equipment (continued)

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land and Buildings	Straight line	indefinite
Land	Straight line	30 years
Buildings	Straight line	30 years
Other assets	Straight line	30 years
Furniture and fittings	Straight line	7-10 years
Air conditioners	Straight line	5-7 years
Office machines	Straight line	5-7 years
Computer hardwares	Straight line	3-5 years
Transport assets	Straight line	5 years
Infrastructure	Straight line	5-7 years
Roads, Bridges and Storm water	Straight line	3-100 years
Pedestrian malls	Straight line	20 years
Electricity	Straight line	20-60 years
Security measures	Straight line	3-5 years
Community Assets	Straight line	30 years
Buildings and other assets	Straight line	20 years
Recreational facilities	Straight line	15 years
Watercraft	Straight line	5-15 years
Emergency equipments	Straight line	5-15 years

Accounting Policies

1.5 Property, plant and equipment (continued)

- Plant and equipments
- Landfill sites
- Bins and containers

Straight line
Straight line
Straight line

2-15 years
5 years
5-10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Under Construction Assets

Under-construction assets are stated at cost and not depreciated until the respective assets are completed and ready for use.

1.6 Heritage assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives. The valuation of heritage assets is dependent on the type of the asset and the availability of reliable information. Management makes estimates and assumptions about factors such as the restoration cost, replacement cost and cash flow generating ability in estimating fair value.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Accounting Policies

1.7 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	6 years

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

1.9 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories which are measured at amortised cost :

- Payables from exchange transactions
- Borrowings
- Sundry debtors
- Receivables from non-exchange transactions
- Consumer debtors,
- Consumer deposits

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

The municipality classifies financial assets and liabilities into the following categories which are measured at fair value:

- Deferred income
- Cash and cash equivalents

Accounting Policies

1.9 Financial instruments (continued)

Initial recognition and measurement

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit. The municipality recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. This is achieved through the application of trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as a financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

Initial Measurement

When a financial instrument is recognised, the municipality measures it initially at its fair value. Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends or similar distributions and interest

Dividend or similar distributions income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Accounting Policies

1.9 Financial instruments (continued)

Impairment and uncollectibility of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired. For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Accounting Policies

MAKHADO LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2016

1.9 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Consumer deposits

Consumer deposits are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial assets

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Accounting Policies**1.9 Financial instruments (continued)****Impairment of financial assets**

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

Accounting Policies

MAKHADO LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2016

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. When a lease includes both land and buildings elements, the entity assesses the classification of each element separately. Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability. Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position. The operating lease expense is recognised over the course of the lease arrangement. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.11 Inventories

Initial recognition and measurement

Inventories, consisting of consumable stores, land inventories and raw materials are initially recognised at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Subsequent measurement

Consumable stores and raw materials are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is the Weighted Average Cost method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction of inventories recognised as an expense in the period in which the reversal occurs.

Properties on hand for the purpose of resale are carried at cost and accounted for as inventory.

Accounting Policies

1.11 Inventories (continued)

Derecognition

The carrying amount of inventories is recognised as an expense in the period that the inventory was written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised.

1.12 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Grants are included in non-exchange transactions revenue.

1.13 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015/07/01 to 2016/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.14 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Accounting Policies**1.15 Impairment of non-cash-generating assets**

The municipality has implemented GRAP 21 and 26 on the impairment of assets based on a position paper adopted on these standards. Assets tested during the financial year under review were treated according to GRAP 21: Impairment of non-cash generating assets. Although the municipality hold material amounts of infrastructure assets such as water and electricity networks where a cost plus return is billed for services rendered, the majority of these assets are non-cash generating as the primary objective of such services is not to generate a commercial return that reflects the risk involved in holding the asset, but rather to provide a basic service in terms of the municipality's constitutional mandate.

Cash-generating assets are those assets held by the group with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

(a) the period of time over which an asset is expected to be used by the municipality; or

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.16 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Short-term employee benefits include items such as:

Wages, salaries and social security contributions; short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service; bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

1.16 Employee benefits (continued)

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognize current service cost is the increase during a period in the present value of a defined benefit obligation which arises because the interest cost is the increase during a period in the present value of the defined benefit obligation resulting from employee service in the current period.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognize past service cost as an expense in the reporting period in which the plan is amended.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the consolidated annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit-years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula.

Accounting Policies

MAKHADO LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2016

1.16 Employee benefits (continued)

Medical Aid post retirement obligation

The entity provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. An annual charge to income is made to cover both these liabilities.

1.17 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

The following provision exists within the municipality :

Provision for landfill site rehabilitation

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. The amount of the provision is recognized as the present value of the expenditure expected to be required to settle the obligation and is carried at amortized cost.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Accounting Policies

MAKHADO LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2016

1.17 Provisions and contingencies (continued)

- A constructive obligation to restructure arises only when an entity:
 - has a detailed formal plan for the restructuring, identifying at least the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
 - has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.
- A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
 - not associated with the ongoing activities of the municipality
- No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest earned

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Service charges relating to electricity

Service charges relating to electricity are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Provisional estimates of consumption are made in the invoicing period in which meters have been read. Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption. Revenue arising from the consumption of electricity in the month of June is fully accounted for whether invoiced or not. Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered.

Accounting Policies

MAKHADO LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2016

1.18 Revenue from exchange transactions (continued)

Refuse removal

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly basis.

Rental income

Service charges relating to rental income are recognised on a monthly basis in arrears by applying the approved tariff and/or contract conditions. Tariffs are determined per category of property usage and are levied on a monthly basis.

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Revenue is recognised when fines or summons are issued. The amount due by a particular offender is specified on the notice, summons or equivalent document.

The entity issuing the traffic fine may indicate that reductions are available, subject to further processes being undertaken. Fines reductions are not within the Makhado Municipality's discretion, they are subject to a further judicial process which is outside the municipality's control then these reductions are not considered in measuring the asset (receivable) on initial recognition. This is because of the high degree of uncertainty in estimating the likely outcome of the process.

Relevant disclosures should be made on the assumptions used to estimate revenue and any other relevant information. The municipality is able to reliably measure the fair value of fines issued. The value of the fine that can be imposed on the offender is usually stipulated in legislation, regulation or equivalent, and will vary depending on the nature and severity of the offence. The amount due by a particular offender is usually indicated on the notice, summons or similar document issued. In these instances, the asset (receivable) can be measured reliably. Makhado Local Municipality recognises Revenue Receivable through Fines on the transaction date of the fines issued.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

The basis of a receivables recognised and the provision for the impairment of fines is based on the following assumptions and methodologies:

- Revenue Receivables - Revenue is recognised on the transaction date of the tickets issued;
- Net Receivables - Total tickets issued less payments made and that equals Tickets Outstanding and warrants;
- Provision of Impairment Losses - 100% of Withdrawals
- 50% of (Warrants & Outstanding Tickets of prior year debt);
- NB:- (i) Outstanding tickets refer to tickets which were issued, the court date on the ticket passed without the alleged offender attending and without any action taken by the court;
- (ii) Withdrawals are tickets which the court has withdrawn and considers no action being taken;
- (iii) Warrants are tickets wherein the court has issued warrants to arrest the Offenders.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Government grants

Requests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a differential rating system i.e business, farming and residential properties. In terms of this system, assessment rates are levied on the market value in respect of properties. Rebates are granted according to the use of the property concerned.

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Current year comparatives (Budget)

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Certain comparative figures have been reclassified.

The nature and reasons for the reclassification and restatement are disclosed in note 41 correction of prior period error to the financial statements.

1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the municipal council must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Accounting Policies

1.25 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Value added tax

The municipality is registered for Value Added Tax (VAT) on the payment basis to SARS in accordance with the VAT Act no 89 of 1991. The financial statements have been prepared on the accrual basis of accounting, as a result VAT is accounted for on accrual basis of accounting. The municipality declares output tax and claims input tax in the tax period only to the extent to which payment under consideration is received or made in that tax period.

1.27 Commitments

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases :

- approved and contracted commitments,
- where the expenditure has been approved and the contract has been awarded at the reporting date, and
- where disclosure is required by a specific standard of GRAP.

Commitments are recorded at cost in the notes to the financial statements when there is a contractual arrangement or an approval by management in a manner that raises a valid expectation that the municipality will discharge its responsibilities thereby incurring future expenditure that will result in an outflow of cash.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2016 or later periods:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the reporting entity;
 - An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard further states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Grp 105: Transfers of functions between entities under common control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires and acquirer and a transferor that prepares and presents financial statements under the accrual basis of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger. It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger. It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2015.

The municipality expects to adopt the standard for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The effective date of the is for years beginning on or after .

3. Inventories

Consumable stores
Land inventory

10 519 649	123 580 849
103 871 200	113 957 871
10 086 671	

During the year the municipality had not yet completed the transfer of ownership of some of the properties sold. The municipality has not yet completed the transfer of properties donated (RDP Houses) to beneficiaries of which the process is administered by Cogesta.

MAKHADO LOCAL MUNICIPALITY Annual Financial Statements for the year ended 30 June 2016

Figures in Rand

2016 2015

4. Receivables from exchange transactions

Other receivables	10 677 200	6 845 746
Debt collection commission	-	1 816 329
Prepayments	550 000	135 601
Deposit paid on office rental	50 000	70 410
Third parties vending receivables	126 043	51 582 729
Vhembe District Municipality : Water related transactions	-	-
11 403 243	60 500 815	

5. Receivables from non-exchange transactions

Traffic Fines	8 469 141	2 549 876
---------------	-----------	-----------

Impairment of traffic fines

Receivables from traffic fines were impaired during the year as follows:

Gross balances	11 969 403	6 891 556
Impairment	(3 500 262)	(4 341 680)
8 469 141	2 549 876	

6. Consumer debtors

Gross balances	46 113 421	31 821 401
Rates	41 237 184	38 636 398
Electricity	24 419 503	19 979 694
Interest	9 253 428	6 890 990
Refuse	9 417 312	10 119 789
Sundries	4 039 444	6 041 381
Vat	1 009 282	811 873
Other	135 489 574	114 301 526

Less: Allowance for impairment

Rates	(28 607 936)	(15 155 672)
Electricity	(25 582 806)	(18 401 471)
Interest	(15 149 420)	(9 515 788)
Refuse	(5 740 660)	(3 281 992)
Sundries	(5 842 331)	(4 819 782)
Vat	(2 505 999)	(2 877 346)
Other	(626 140)	(386 673)
(84 055 292)	(54 438 724)	

Net balance	17 505 485	16 665 729
Rates	15 654 377	20 234 927
Electricity	9 270 083	10 463 906
Interest	3 512 768	3 608 998
Refuse	3 574 981	5 300 007
Sundries	1 553 446	3 164 035
Vat	383 141	425 200
Other	51 454 281	59 862 802

MAKHADO LOCAL MUNICIPALITY Annual Financial Statements for the year ended 30 June 2016 **Notes to the Annual Financial Statements**

Figures in Rand

6. Consumer debtors (continued)

Included in above is receivables from exchange transactions		Included in above is receivables from non-exchange transactions (taxes and transfers)	
Electricity	Interest	Refuse	Sundries
Other	Vat		
15 654 377	20 234 927	10 463 906	9 270 083
3 512 768	3 608 998	5 300 007	3 574 981
1 533 446	3 164 035	425 200	383 141
33 928 796	43 197 073		
Included in above is receivables from non-exchange transactions (taxes and transfers)		Rates	
		Net balance	
		51 434 282	59 862 802
		17 505 486	16 665 729

Rates		Electricity	
Current (0 - 30 days)	31 - 60 days	61 - 90 days	91 - 120 days
121 - 365 days			
10 749 797	5 156 404	1 616 077	1 583 583
1 602 989	1 560 695	4 817 111	27 382 828
46 113 420	31 821 402		

Interest		Refuse	
Current (0 - 30 days)	31 - 60 days	61 - 90 days	91 - 120 days
121 - 365 days			
26 070 135	24 902 745	1 305 121	812 436
1 892 901	702 140	684 824	11 887 183
41 237 183	38 636 398		

Interest		Refuse	
Current (0 - 30 days)	31 - 60 days	61 - 90 days	91 - 120 days
121 - 365 days			
1 565 510	1 358 357	621 543	591 890
682 546	563 809	652 287	20 764 436
24 419 503	19 979 695		

Interest		Refuse	
Current (0 - 30 days)	31 - 60 days	61 - 90 days	91 - 120 days
121 - 365 days			
992 279	943 728	357 391	305 216
307 928	303 824	290 617	7 358 780
9 253 428	6 890 991		

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

	2016	2015
--	------	------

6. Consumer debtors (continued)

Sundries		
Current (0 - 30 days)	1 260 327	4 652 660
31 - 60 days	290 398	253 383
61 - 90 days	183 209	151 314
91 - 120 days	200 087	153 602
121 - 365 days	7 483 292	4 908 829
	9 417 313	10 119 788
Vat		
Current (0 - 30 days)	2 699 664	2 947 928
31 - 60 days	389 110	257 312
61 - 90 days	220 058	193 562
91 - 120 days	236 627	190 110
121 - 365 days	494 385	2 452 468
	4 039 844	6 041 380
Other		
Current (0 - 30 days)	73 271	72 583
31 - 60 days	9 849	21 783
61 - 90 days	13 561	21 514
91 - 120 days	17 302	15 857
121 - 365 days	895 297	680 135
	1 009 280	811 872

MAKHADO LOCAL MUNICIPALITY Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

6. Consumer debtors (continued)

Summary of debtors by customer classification

		2016	2015
Consumers			
Current (0 - 30 days)		32 157 440	9 624 801
31 - 60 days		4 537 662	2 217 189
61 - 90 days		2 990 557	2 074 146
91 - 120 days		6 435 571	1 992 054
121 - 365 days		15 611 013	1 870 402
> 365 days		49 446 239	29 731 430
Less: Allowance for impairment		111 178 482	47 510 022
		42 172 577	23 245 402
Industrial/ commercial			
Current (0 - 30 days)		4 643 199	16 705 257
31 - 60 days		377 293	1 646 078
61 - 90 days		300 405	1 213 123
91 - 120 days		305 705	1 018 514
121 - 365 days		1 747 466	1 057 006
> 365 days		4 451 668	19 659 957
Less: Allowance for impairment		11 825 736	41 299 935
		3 566 594	20 206 970
Agriculture			
Current (0 - 30 days)		6 716 251	5 993 607
31 - 60 days		357 875	569 342
61 - 90 days		344 667	372 247
91 - 120 days		301 040	385 557
121 - 365 days		1 477 422	337 013
> 365 days		3 288 104	10 123 064
Less: Allowance for impairment		12 485 359	17 780 830
		5 695 114	8 699 691
Less: Allowance for impairment			
Current (0 - 30 days)		43 516 890	32 323 665
31 - 60 days		5 272 830	4 432 609
61 - 90 days		3 635 628	3 659 516
91 - 120 days		7 042 316	3 396 124
121 - 365 days		18 835 900	3 264 421
> 365 days		57 186 010	59 514 451
Less: Allowance for impairment		135 489 574	106 590 786
		51 434 282	52 152 062
Less: Allowance for impairment			
Current (0 - 30 days)		(26 997 095)	(16 508 548)
31 - 60 days		(3 271 169)	(2 263 851)
61 - 90 days		(2 255 478)	(1 869 011)
91 - 120 days		(4 368 926)	(1 734 490)
121 - 365 days		(11 685 453)	(1 667 226)
> 365 days		(35 477 171)	(30 395 599)

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

	2016	2015
--	------	------

6. Consumer debtors (continued)

(84 055 292) (54 438 725)

Reconciliation of provision for doubtful debts

Opening balance

Allowance for impairment

Amounts written off as uncollectible

54 438 724	105 783 284
30 719 067	14 483 660
(1 102 499)	(65 828 220)
84 055 292	54 438 724

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 30).

Debtors are individually assessed annually at balance sheet date for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt older than 30 days, and considers past and current payment patterns.

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016 2015

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Primary bank account	29 880 769	6 601 867
Short-term deposits	86 548 730	40 737 423
Guarantee	94 415	92 460
Petty cash and floats	20 200	18 200
	116 544 114	47 449 950

No impairments occurred during the financial period. Average rate of investments is 7.24 % . Municipality's investment is held with Nedbank and VBS Mutual Bank, amounting to R 70,000,000 and R15,000,000. The interest earned as at 30 June 2016 amounted to R 702,226 and R 176,547 respectively.

The Municipality has provided bank guarantees to the amount of R94 415 (2015: R92 460) with regards to special clauses in contracts concluded with South African Post Office for printing and posting of municipal monthly statements.

The municipality had the following bank accounts

Account number / description	30 June 2016	30 June 2015	30 June 2014	30 June 2016	30 June 2015	30 June 2014
FNB BANK-Primary account-	34 595 388	6 166 376	1 517 975	34 595 388	6 166 376	(307 002)
FNB BANK-Investment account-	20 005	16 324	49 019 120	20 005	16 324	49 019 120
623-0833-0779						
FNB BANK-Investment account-	649 951	627 126	1 602 763	649 951	627 126	1 602 763
624-0465-0435						
FNB BANK-Call account-624-	94 415	92 460	-	94 415	92 460	-
8284-3408						
NEDBANK - Investment	20 106 849	40 093 973	-	20 106 849	40 093 973	-
account- 788-1085-81-000020						
NEDBANK - Investment	50 595 377	-	-	50 595 377	-	-
account- 788-1085-81-000021						
VBS MUTUAL BANK -	15 176 548	-	-	15 176 548	-	-
Investment account -						
MAK0005854						
Total	121 238 533	46 996 259	52 139 858	121 238 533	46 996 259	50 314 881

8. Investment property

2016	2015
Cost /	Cost /
Accumulated depreciation and impairment	Accumulated depreciation and impairment
Carrying value	Carrying value
Valuation	Valuation
Cost /	Cost /
Accumulated depreciation and impairment	Accumulated depreciation and impairment
Carrying value	Carrying value
12 755 188	12 755 188
(1 069 876)	(1 069 876)
11 685 312	11 685 312
12 755 188	12 755 188
(885 457)	(885 457)
11 869 731	11 869 731
11 869 731	11 869 731

Reconciliation of investment property - 2016

Investment property	Opening balance	Depreciation	Total
	11 869 731	(184 419)	11 685 312

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

	2016	2015
--	------	------

8. Investment property (continued)

Reconciliation of investment property - 2015

Investment property	Opening balance	Depreciation	Total
	12 054 151	(184 420)	11 869 731

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	351 069 021	(29 599 735)	321 469 286	369 774 491	(23 545 951)	346 228 540
Machinery and equipments	29 730 269	(17 930 403)	11 799 866	29 465 279	(15 317 374)	14 147 905
Furniture and office equipments	10 126 319	(5 769 437)	4 356 882	10 009 972	(5 300 680)	4 709 292
Transport assets	27 971 001	(17 941 972)	10 029 029	27 669 211	(14 613 123)	13 056 088
Computer equipments	5 564 600	(3 762 919)	1 821 681	7 325 887	(4 842 600)	2 483 287
Infrastructure assets	2 083 382 334	(773 238 532)	1 310 142 802	2 032 286 192	(677 935 750)	1 354 350 442
Community assets	54 548 987	(20 981 973)	33 567 014	52 971 496	(19 552 694)	33 418 802
Leased vehicles, Office and Furniture Equipment	19 744 812	(14 129 201)	5 615 611	19 744 812	(11 976 852)	7 767 960
Total	2 582 157 333	(883 356 172)	1 698 802 161	2 549 247 340	(773 085 024)	1 776 162 316

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Under construction	Disposals	Correction of prior year error depreciation on	Accumulated disposals	Depreciation	Impairment	Total
Land and buildings	346 228 540	153 144	12 495 220	-	(33 613 235)	-	(3 794 383)	-	321 469 286
Machinery and equipments	14 147 905	1 037 228	-	-	-	-	(3 241 560)	(143 717)	11 799 866
Furniture and office equipments	4 709 292	700 248	-	-	(314 980)	-	(675 186)	(62 492)	4 356 882
Transport assets	13 056 088	1 096 592	-	(657 973)	-	-	(3 289 494)	(176 184)	10 029 029
Computer equipments	2 483 287	327 987	-	-	(114 110)	-	(820 731)	(54 752)	1 821 681
Infrastructure assets	1 354 350 442	17 211 371	33 884 771	-	-	-	(89 678 042)	(5 625 740)	1 310 142 802
Community assets	33 418 802	1 515 596	2 993 787	-	(3 107 981)	-	(1 253 190)	-	33 567 014
Leased vehicles, Office and Furniture Equipment	7 767 960	-	-	-	(5 280 828)	5 280 828	(2 152 349)	-	5 615 611
	1 776 162 316	22 042 166	49 373 778	(657 973)	(42 431 134)	5 280 828	(104 904 935)	(6 062 885)	1 698 802 161

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Under construction	Transfers	Disposals	Accumulated depreciation on disposals	Depreciation	Total
Land and buildings	342 887 025	1 133 590	9 616 029	(3 526 420)	-	-	(3 881 684)	346 228 540
Machinery and equipments	15 328 825	2 078 895	-	-	(736 705)	468 116	(2 991 226)	14 147 905
Furniture and office equipments	4 762 458	630 787	-	-	(30 946)	24 297	(677 304)	4 709 292
Transport assets	18 447 679	2 247 885	-	-	(10 154 934)	6 768 184	(4 252 726)	13 056 088
Computer equipments	2 619 244	675 295	-	-	(69 398)	66 022	(807 876)	2 483 287
Infrastructure assets	1 324 823 726	7 963 259	136 200 032	(29 844 565)	-	-	(84 792 010)	1 354 350 442
Community assets	23 542 513	6 187 483	6 312 281	(1 183 989)	-	-	(1 439 486)	33 418 802
Leased vehicles, Office and Furniture Equipment	10 360 377	-	-	-	-	-	(2 592 417)	7 767 960
	1 742 771 847	20 917 194	152 128 342	(34 554 974)	(10 991 983)	7 326 619	(101 434 729)	1 776 162 316

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Intangible assets

	2016		2015	
	Cost / Valuation	Accumulated amortisation and impairment	Cost / Valuation	Accumulated amortisation and impairment
Intangible assets	4 152 500	(2 865 167)	1 287 333	3 963 760
				(2 432 473)
				1 531 287

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

2016 2015

10. Intangible assets (continued)

Reconciliation of intangible assets - 2016

Intangible assets	Opening balance	Additions	Correction of prior year error	Amortisation	Total
	1 531 287	14 500	174 240	(432 694)	1 287 333
	1 531 287	14 500	174 240	(432 694)	1 287 333

Reconciliation of intangible assets - 2015

Intangible assets	Opening balance	Additions	Amortisation	Total
	1 363 145	558 148	(390 006)	1 531 287
	1 363 145	558 148	(390 006)	1 531 287

11. Heritage assets

Heritage assets	Cost / Accumulated impairment	Carrying value	Cost / Accumulated impairment	Carrying value
2016	2 115 329	2 115 329	2 115 329	2 115 329
2015	2 115 329	2 115 329	2 115 329	2 115 329

Reconciliation of heritage assets 2016

Heritage assets	Opening balance	Correction of prior year error	Total
	1 566 329	549 000	2 115 329
	1 566 329	549 000	2 115 329

Reconciliation of heritage assets 2015

Heritage assets	Opening balance	Difference	Additions	Total
	1 566 329	(549 000)	549 000	1 566 329
	1 566 329	(549 000)	549 000	1 566 329

12. Borrowings

Amortised cost

Development bank of South Africa(DBSA) 1 : Current portion	1 506 887	970 769
The loan is unsecured, bears interest at 5% and repayable on 31 March 2018.		
Development bank of South Africa(DBSA) 1 : Long-term portion	1 324 146	2 569 273
The loan is unsecured, bears interest at 9.86% and repayable on 31 March 2018.		
Development bank of South Africa (DBSA) 2 : Long-term portion	386 531	758 723
The loan is unsecured, bears interest at 5% and repayable on 31 March 2018.		
Development bank of South Africa (DBSA) 2 : current portion	-	332 790
The loan is unsecured, bears interest at 5% and repayable on 31 March 2018.		
	3 217 564	4 631 555

Notes to the Annual Financial Statements

Figures in Rand

12. Borrowings (continued)

Non-current liabilities
At amortised cost

1 710 677	3 327 996
-----------	-----------

Current liabilities
At amortised cost

1 506 887	1 303 559
-----------	-----------

13. Finance lease obligation

Minimum lease payments due
- within one year
- in second to fifth year inclusive

4 237 842	3 921 644
11 912 232	16 150 075

less: future finance charges
Present value of minimum lease payments

16 150 074	20 071 719
(2 596 585)	(4 019 153)
13 553 489	16 052 566

Present value of minimum lease payments due
- within one year
- in second to fifth year inclusive

10 476 192	13 558 540
3 077 297	2 494 026
13 553 489	16 052 566

Non-current liabilities
Current liabilities

10 476 192	13 558 540
3 077 297	2 494 026
13 553 489	16 052 566

14. Payables from exchange transactions

Accrued operating creditors

Retentions

Debtors with credit balances

Other Creditors

Department of labour

Debtors with credit balances

Accrual for Section 57 Bonuses

Accrual for 13th cheque

Accrual for outstanding leave

44 866 526	73 989 479
19 453 078	15 850 968
8 930 889	-
74 927	192 995
2 208 274	9 010 085
-	14 254 658
919 450	687 447
5 163 340	4 976 539
21 018 644	18 694 149
102 635 128	137 656 320

There is no material difference between the fair value of payables from exchange transactions and their book value.

15. VAT payable

VAT payables

19 125 785	7 032 188
------------	-----------

VAT is payable on the receipts basis. Vat is paid over to the receiver of revenue only once the payment is received from debtors. As at year end the Vat amount due to SARS as per vat returns amounted to R 3,280,791.

Notes to the Annual Financial Statements

Figures in Rand

2016 2015

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

MIG	51 471 564	3 891 316
Municipal system improvement grant	-	38 800
Disaster management grant	-	59 955
	51 471 564	3 990 071

Movement during the year

Balance at the beginning of the year	3 990 071	44 854 975
Current - Receipts	196 346 042	117 749 000
Conditions met - Transferred to Revenue	(144 874 478)	(158 613 904)
Deductions in Terms of Paragraph 5.4 of MFMA circular 55	(3 990 071)	-
	51 471 564	3 990 071

Included in the movement above for conditional grants are the following grants:

MIG : Municipal Infrastructure Grant, this grant is used to construct basic municipal infrastructure to provide basic services for the benefit of the poor households such as roads. Other than the unspent amounts and deductions in terms of paragraph 5.4 of MFMA circular 55 the conditions of the grants were met. Makhado Municipality received additional funds of R60 000 000 on 31 March 2016 which contributed to the rollover of unspent MIG funds of R51 471 564.

INEP : Integrated National Electrification Grant, this grant was used to address the electrification backlog of permanently occupied residential dwellings, the conditions of the grants were fully met.

FMG Grant : Financial Management Grant, the purpose of this grant is to improve and support reforms to municipal finance management processes and compliance to Municipal Finance Management Act, the conditions of the grants were fully met.

EPWP : Expanded Public Works Programme, this grant was used to uplift socio and economic status of community members through various employment programmes in community work, the conditions of the grants were fully met.

Disaster Management Grant : This grant was not utilised in the current financial year as previously rolled over.

Municipal Systems Improvement Grant(MSIG) : The purpose of this grant is to assist the municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislations. Other than the unspent amounts and deductions in terms of paragraph 5.4 of MFMA circular 55 the conditions of the grants were met.

These amounts are invested in a ring-fenced investment until utilised.

17. Consumer Deposits

Electricity

Opening balance	13 702 459	11 502 303
Increase/(decrease) in the carrying amount recognised in the period as a result of a change in the fair value of the assets to be distributed	929 273	2 200 156
	14 631 732	13 702 459

Guarantees held in lieu of consumer deposits amounts to R 1, 362,578 (2015:R 1,412,484)

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

18. Deferred Income

The deferred income was estimated based on the average unit sales and rate per unit as at 30 June 2015 and 2016 based on the Contour Prepaid Electricity vending system.

Deferred income

80 899	69 443
--------	--------

19. Employee benefit obligations

Other employee benefits plan

The municipality offers employees Long Service Awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

Total long service awards liability

Opening balance	13 535 361	14 984 973
Current service cost	1 010 685	1 190 290
Interest cost	1 026 714	1 104 269
Actuarial gains/loss	542 354	(181 116)
Subtotal	16 115 114	17 098 416
Expected employer benefit vesting	(1 130 141)	(1 546 791)
	15 551 625	14 984 973

Post retirement medical aid plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Total post-retirement health care benefits liability

Opening balance	68 399 995	83 126 563
Current service cost	3 851 321	4 584 079
Interest cost	7 499 603	6 248 701
Actuarial gains/loss	1 039 331	5 664 678
Subtotal	84 164 695	96 249 576
Expected contributions(benefits paid)	(1 038 132)	(1 180 608)
	95 068 968	83 126 563

Reconciliation and projection of the unfunded accrued liability

Carrying value	(81 935 356)	(98 111 536)
Opening balance	(4 862 006)	(5 774 369)
Current service cost	(8 603 872)	(7 275 415)
Interest cost	2 727 399	(858 215)
Expected employer benefit vesting	(6 207 032)	(6 207 032)
Actuarial (Gain) Loss recognised in profit and loss	(94 996 346)	(98 111 536)
Non-current liabilities	(4 227 068)	(110 620 593)
Current liabilities	(3 115 190)	(98 111 536)

MAKHADO LOCAL MUNICIPALITY Annual Financial Statements for the year ended 30 June 2016 **Notes to the Annual Financial Statements**

Figures in Rand

19. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.43 %	7.87 %
Net effective discount rate	1.24 %	0.81 %
Expected increase in salaries	7.10 %	7.00 %
Expected increase in healthcare costs	8.25 %	8.19 %

The salaries used in the valuation include an assumed increase on 1 July 2016 of 7.10% as per the SALGBC Circular No: 27/2016. The next salary increase was assumed to take place on the 1 July 2017.

20. Provisions

Reconciliation of provisions - 2016

Rehabilitation of landfill site	Opening Balance	6 050 375	Change in Estimate	1 066 906	Total	7 117 281
---------------------------------	-----------------	-----------	--------------------	-----------	-------	-----------

Reconciliation of provisions - 2015

Rehabilitation of landfill site	Opening Balance	5 747 189	Change in estimate	303 186	Total	6 050 375
---------------------------------	-----------------	-----------	--------------------	---------	-------	-----------

The landfill rehabilitation provision consists of once-off costs to be incurred for rehabilitation of the current operational site and recurring monitoring costs.

The costs were determined at an inflation rate of 4.6% per annum and were discounted to its present value.

The municipality reassessed the period left to fully rehabilitate the landfill site in respect of anticipated recurring costs and non-recurring costs to 31 March 2017.

Total non-recurring costs : R 734 781
Total recurring costs : R 5 695 200

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current rehabilitation cost to an estimated future cost which was then discounted to present value.

Assumptions used :

-Interest rate used is Prime lending rate at 10.5%
-The valuation for the landfill site provision was done by Nzumbululo Holdings (Pty) Limited, a company which specialises in infrastructure maintenance and operations of municipal services, which includes solid waste collection and disposal.

Provision for rehabilitation of landfill site

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate land fill sites used for waste disposal. It is calculated as the present value of future obligation, discounted at prime interest rate of 10.50% over an estimated useful life of 1.75 years. Rehabilitation cost is assumed to increase at inflation rate of 6.8%. The payment of expenditures relating to rehabilitation is expected to occur after the 30th June 2016.

MAKHADO LOCAL MUNICIPALITY Annual Financial Statements for the year ended 30 June 2016 **Notes to the Annual Financial Statements**

Figures in Rand

21. Service charges

Sale of electricity
Refuse removal

22. Other income

Burial fees
Advertising
Employee benefit vesting
Trading licence
Land sales
Sundries
Actual income
Refunds
Sale of tender documents
Building plans
Duplications
Land use management

23. Property rates

Rates received

Residential
Commercial
State

Valuations

Residential
Business
Agricultural
Municipal
Churches
Land Reform Beneficiaries

2016

2015

275 800 287	8 197 784	254 446 922
246 282 675	8 164 247	

90 329	14 363	100 099
14 407		
2 727 399	2 168 273	
152 894	122 380	
2 084 036	2 114 105	
1 792 510	2 185 946	
181 116	-	
415 235	156 406	
663 658	376 115	
203 485	179 764	
126 037	313 344	
-	5 789	
8 451 062	7 736 628	

31 069 782	14 887 341	51 678 469
25 349 526	12 235 428	40 639 127
5 721 346	3 054 173	

4 768 955 678	1 560 553 840	4 646 963 162
3 720 388 614	1 327 614 540	1 903 832 648
187 329 000	168 942 700	
98 816 660	89 880 808	
271 576 000	45 852 800	
10 607 619 792	8 183 086 658	

The last valuation came into effect on 01 July 2014 and numerous objections were received by the municipality of which as at 30 June 2015 were still under review and the impact on property rates will be accordingly corrected and disclosed in the subsequent financial period. Rebates are granted to residential and state property owners. Rates are levied on a monthly basis to property owners.

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

24. Government grants and subsidies

Operating grants	
Equitable share	354 733 071
Electricity efficiency demand side management	287 643 000
Expanded public works programmes	5 000 000
Finance management grant	1 128 000
Municipal systems management grant	1 609 541
Local Government Sector for Education and Training Authority	895 200
Capital grants	363 956 886
Municipal Infrastructure Grant (MIG)	291 873 206
Integrated national electrification programme (INEP)	120 792 436
	147 442 021
	17 000 000
	137 792 436
	154 981 163
	501 749 322
	446 854 369

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents received a subsidy of R 7,724,967 (2015: R 8,363,244) which is funded from the grant during the year.

25. Revenue

Fines, Penalties and Forfeits	7 516 622	5 844 485
Government grants & subsidies	501 749 322	446 854 369
Interest earned - outstanding receivables	8 060 616	7 830 081
Interest received - investment	8 910 195	10 610 914
Licences and permits	7 213 850	3 719 527
Other income	8 451 062	7 736 628
Property rates	51 678 469	40 639 127
Rental of facilities and equipment	271 034	289 187
Service charges	283 998 071	254 446 922
The amount included in revenue arising from exchanges of goods or services are as follows:		
Rental of facilities and equipment	271 034	289 187
Interest earned - outstanding receivables	8 060 616	7 830 081
Licences and permits	8 910 195	10 610 914
Other income	8 451 062	7 736 628
Interest received - investment	7 213 850	3 719 527
Property rates	51 678 469	40 639 127
Rental of facilities and equipment	271 034	289 187
Service charges	283 998 071	254 446 922
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue	51 678 469	40 639 127
Transfer revenue	501 749 322	446 854 369
Fines, Penalties and Forfeits	7 516 622	5 844 485
	560 944 413	493 337 981
	316 904 828	284 633 259

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

26. Employee related costs

	2016	2015
Basic	133 514 674	127 974 029
Bonus	11 476 332	11 051 274
Medical aid - company contributions	13 383 230	11 681 925
UIF	1 059 423	1 050 478
Other payroll levies	57 371	55 496
Leave pay provision charge	6 185 502	5 474 779
Post employment benefits	28 110 183	26 763 209
Travel, motor car, accommodation, subsistence and other allowances	9 067 511	8 446 483
Overtime payments	10 779 429	12 808 313
Long-service awards	5 876 471	4 862 006
Housing benefits and allowances	358 588	231 492
Standby allowance	1 666 781	1 398 498
Group life insurance	1 073 403	945 340
222 608 898	212 743 322	

Remuneration of municipal manager

Annual Remuneration
Car Allowance
Contributions to UIF, Medical and Pension Funds
Other

913 771	853 374
332 688	294 269
258 137	241 524
18 275	16 315
1 522 871	1 405 482

Remuneration of chief finance officer

Annual Remuneration
Car Allowance
Contributions to UIF, Medical and Pension Funds

653 968	610 743
312 506	279 105
123 393	110 103
1 089 867	999 951

Remuneration of director technical services

Annual Remuneration
Car Allowance
Contributions to UIF, Medical and Pension Funds

562 352	610 743
209 779	279 105
80 005	110 103
852 136	999 951

The position of Director Technical Services remained vacant for the period 01 July 2015 to 31 August 2015.

Remuneration of director corporate services

Annual Remuneration
Car Allowance
Contributions to UIF, Medical and Pension Funds
Other

620 525	473 901
251 387	176 388
149 886	122 202
12 410	9 372
1 034 208	781 863

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

Figures in Rand

	2016	2015
26. Employee related costs (continued)		
Remuneration of director planning and development		
Annual Remuneration	620 525	535 881
Car Allowance	334 333	277 931
Contributions to UIF, Medical and Pension Funds	79 350	66 334
	1 034 208	880 146
Remuneration of director community services		
Annual Remuneration	620 525	511 212
Car Allowance	251 387	224 074
Contributions to UIF, Medical and Pension Funds	149 886	106 510
Other	12 410	10 224
	1 034 208	852 020
27. Remuneration of councillors		
Mayor	868 822	735 587
Speaker	713 098	584 993
Councillors	21 175 891	20 477 769
	22 757 811	21 798 349
28. Depreciation and amortisation		
Depreciation		
Property, plant and equipment	97 553 043	101 778 641
Investment properties	184 419	184 419
Land and buildings	3 794 383	3 881 683
	54 463 042	101 619 145
Amortisation		
Intangible assets	467 621	390 004
	467 621	390 004
Total Depreciation and Amortisation	54 930 663	102 009 149
29. Finance costs		
Finance leases	1 422 905	1 636 740
Other interest	12 310 897	9 259 590
	13 733 802	10 896 330
30. Provision for doubtful debts		
Provision for doubtful debt	51 176 994	24 309 745
31. Repairs and maintenance		
Repairs and maintenance during the year	39 956 536	20 508 166

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

32. Bulk purchases

Electricity

219 288 145 183 246 320

Included in the electricity bulk purchases is 19.0% (2015: 17.7%) which relate to distribution losses. Makhado Municipality gets billed by Eskom on a monthly basis for electricity used/or given to the municipality based on readings.

33. General expenses

Cost of sales : Land	480 000	900 000
Advertising	458 087	299 791
Assessment rates & municipal charges	592 015	583 895
Auditors Remuneration	660 696	839 967
Bank charges	914 121	781 117
Municipal bylaws	102 326	499 299
Consulting and professional fees	9 617 317	5 674 535
Consumables	1 215 569	1 024 433
IDP representation forums	147 239	162 812
Local economic development	189 112	269 927
Legal fees	3 686 471	4 309 776
External audit fees	3 555 390	3 519 772
Bush clearing	79 787	-
Insurance	2 379 316	3 060 195
Bursaries	435 401	195 767
IT expenses	252 217	195 089
Formalisation of sites	305 249	477 900
Township establishment	311 960	505 149
Lease rentals on operating lease	417 840	376 750
Levies	1 880 703	1 935 679
Environmental management	317 453	255 553
Debt collectors commission	2 047 645	1 793 394
Expanded Public Works Programmes	4 469 831	3 301 066
Fuel and oil	7 194 805	7 431 820
Ward committees allowances	4 545 098	4 751 055
Compilation of municipal valuation roll	4 708 050	1 283 850
Postage and courier	7 501 714	7 137 329
Printing and stationery	2 622 290	3 190 273
Employees assistance programmes	1 324 969	598 013
Royalties and license fees	318 906	334 440
Security costs	16 587 659	15 121 213
Workmens compensation	2 618 434	1 682 685
Subscriptions and membership fees	2 892 368	2 355 670
Telephone and fax	3 311 438	2 547 447
Assets expensed	-	277 393
Training	1 976 487	2 014 086
Travel - local	5 112 801	4 589 840
Uniforms	1 020 998	1 254 760
Loss on disposal of assets	6 483 130	1 235 157
Indigent policy	9 476 414	8 363 244
Subscriptions and publications	2 593 256	3 141 395
Non asset items	49 965 824	23 877 837
Dumping site	512 670	-
Meter reading	796 757	1 686 577
Special programmes	1 181 605	615 283
Actural losses	1 039 331	6 207 032
Other expenses	539 761	315 428
	168 840 510	130 973 693

Notes to the Annual Financial Statements

MAKHADO LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2016

34. Investment revenue

Interest revenue		
Interest received from investments	3 574 912	2 453 067
Interest received from primary account	3 638 938	1 266 460
35. Interest earned - outstanding receivables	7 213 850	3 719 527

36. Auditors' remuneration

Receivables	8 060 616	7 830 081
37. Cash generated from operations	8 060 616	7 830 081

37. Cash generated from operations

Audit committee	660 696	528 839
Internal audit	-	311 128
38. Commitments	660 696	839 967

38. Commitments

- Already contracted for but not provided for
- Infrastructure - roads
- Infrastructure - electricity
- Other operational services

34 997 136	135 266 313	-
4 998 479	3 845 480	50 017 438
10 021 823	139 111 793	139 111 793

This committed expenditure relates to plant and equipment and other services will be financed by available retained surpluses internally generated funds and government grants.

Notes to the Annual Financial Statements

39. Contingencies

Litigations is in process against the municipality relating to a dispute with defendants in the following cases, should the judgement or ruling be in favour of the defendants the municipality will have to pay the estimated damages. No provision for the below mentioned claims has been made as the municipality is confident in defending the claim.

Vhuthi Cleaning/Security Services CC : The plaintiff claims damages for unlawful termination of contract under Tender No.59 of 2008.	-	1 540 000
Dique Jan Arnold : The plaintiff claims damages for wrongful detention by municipality's traffic officers together with SAPS officer.	60 350	60 350
Mabula NE : Claim for damages as a result of malicious prosecution of the plaintiff by the municipality's traffic officers at Vuwani SAPS.	-	100 000
Antoinette Albertus Yeerds : Claim for damages as a result of malicious prosecution of the plaintiff by municipality's traffic officers.	340 000	340 000
Gobela : Claim for alleged services rendered for the training of councillors and officials of the municipality on anti-fraud and corruption.	6 369 750	6 369 750
Synergy Income Fund t/a Hubveni Shopping Centre : Claim for damages being costs to unblock the shopping center sewerage line to be in proper order and cleaning of the shopping center due to the sewerage spillage into the shops and municipal area.	279 515	279 515
Maria Venter : Reconnection of electricity.	-	22 636
Mashige N.E : CCMA ruling : Confused the identity of the respondent	-	26 400
SGL Engineers CC Consulting : Outstanding payment for consultancy rendered during the construction of Tsianda Vuwani Road	66 800	66 463
Mayona and Associates : Delay to resolve the rezoning application.	-	48 000
Lebea Attorney's/Ms Thovhahakane : Employee wrote a letter demanding for irregular placement of her post	1 000 000	300 000
Nengwekhulu Attorneys/Mudau Tshilidzi : Mandatory Interdict	-	300 000
Lebea Attorney's/Mr Muthovhi L: Employee wrote a letter demanding for irregular placement of her post.	1 000 000	-
Lebea Attorney's/Ms Singo M.E: Employee wrote a letter demanding for irregular placement of her post.	1 000 000	-
Rejina Nagaretta,Dorosa Pretorius/Mabunda Attorneys : Damages to motor vehicle	-	45 000
Tshituni Royal Council/Mabunda Attorneys : Land invasion	-	250 000
DDP Valuers/Mabunda Attorneys : Bidder to an objection	-	321 875
Mudavhula N.E: Unlawful arrest and defamation of character.	100 000	-
Itumeleng Bupape: Claims of damages.	31 000	-
Munzhelele Mashudu Maryrose: Claims for damages.	2 138 035	-
12 385 450	10 069 989	

Contingent assets

Litigations is in process and the municipality is a plaintiff following cases, should the judgement or ruling be in favour of the municipality, the municipality will be entitled to receive the estimated value of the damages as indicated below:

Maria Venter : Reconnection of electricity	22 636	-
Shumani phathani general dealer : Irregular payment to a service provider for the services which they did not render	216 500	-
Abnar Trading, L.L.Mel trading, Athikundwi trading and projects & Ruhoo (Pty) Ltd:Lufuno Maluleke. Irregular payment to a service provider for the services which they did not render.	490 000	-
Mungona holdings: Irregular payment to a service provider for the services which they did not render.	550 000	-
Mabunda M.G: Damages of a municipal vehicle collided with Mr M.G Mabunda	31 515	-
1 310 651	-	

Notes to the Annual Financial Statements

40. Change in estimates

1. The municipality has assessed fines which resulted in a change of accumulated surplus due to impairment related to previous years. Prior year changes to the amount of R1 066 906 have been done.

2. In terms of GRAP 17, the depreciation method applied to assets shall be reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method shall be changed to reflect the changed pattern. Identified movable and infrastructure assets were assessed for their remaining useful lives based on a professional judgement on their expected lifecycle. This resulted in an additional remaining useful life in the identified various category of assets and an increase in the depreciation in the current financial year.

3. The provision on rehabilitation of the landfill site was re-assessed as at 30 June 2016, as a result of existing conditions at the landfill site on estimated costs to rehabilitate until 31 March 2017.

Notes to the Annual Financial Statements

41. Prior period errors

REVENUE

Property Rates

In the previous set of financial statements for the year ending 30 June 2015, property rates have been restated in correcting revenue transactions incorrectly accounted for in the reporting period. The effect of the transactions amount to the increase of (R 12,366) in property rates and is recorded as correction error.

Fines, Penalties and Forfeits

In the previous set of financial statements for the year ending 30 June 2015, fines income have been restated in correcting transactions and fines impairment incorrectly accounted for in the reporting period. The effect of the transactions amount to the decrease of (R 2,968,147) in fines and is recorded as correction error.

GENERAL EXPENSES

Depreciation

In the previous set of financial statements for the year ending 30 June 2015, depreciation has been increased by (R 34,928) in correcting depreciation not recorded. The impact of the restatement was reported as correction of error.

Finance Costs

In the previous set of financial statements for the year ending 30 June 2015, other expenses have been restated on correction of expenditure transactions that were incorrectly recorded and also omitted from the cashbook. The effect of the transactions amount to the reduction of (R 7,416) in finance costs expenses and is recorded as correction error.

CURRENT ASSETS

Inventory

In the previous set of financial statements for the year ending 30 June 2015, the figure indicated under land inventory was incorrectly stated as a result of inclusion of land belonging to the municipality to the value of (R 9,670,000). The impact of the restatement was reported as correction of error.

Sundry debtors

In the previous set of financial statements for the year ending 30 June 2015, the figure indicated under Vhembe district municipality: water related transactions was understated (R 55,936,618) resulting with the understatement of receivables. The impact of the restatement was reported as correction of error.

Consumer Debtors – Non-exchange transactions

In the previous set of financial statements for the year ending 30 June 2015, impairment for property rates have been restated to allow for rates not which is not collectable to the value of (R 12,514,645). The effect of the transaction resulted with the decrease in consumer debtors – non exchange transactions by (R 12,514,645) and has been reported as correction of error.

Receivables from non-exchange transactions

In the previous set of financial statements for the year ending 30 June 2015, impairment for fines have been restated to allow for fines which is not collectable as well as fines that was not previously reported to the value of (R 4,219,091). The effect of the transaction resulted in the increase in receivables from non-exchange transactions by (R 4,219,091) and has been reported as correction of error.

Cash and cash equivalents

In the previous set of financial statements for the year ending 30 June 2015, the bank balances at year end have been

Notes to the Annual Financial Statements

41. Prior period errors (continued)

restated on correction of expenditure transactions that were incorrectly recorded and also omitted from the cashbook. The effect of the transactions amount to the reduction of (R 1,953,065) in bank balance at year end and is recorded as correction error.

NON-CURRENT ASSETS

Property, Plant and Equipment - Land and Buildings

In the previous set of financial statements for the year ending 30 June 2015, land and buildings have been restated to remove duplicated land in the reporting period to the value of (R 33,613,235). The effect of the transaction resulted with the decrease in land and buildings and the increase in assets written off by (R 33,613,235) and has been reported as correction of error.

Property, Plant and Equipment – Infrastructure Electricity

In the previous set of financial statements for the year ending 30 June 2015, property, plant and equipment have been restated in the reporting period to the value of (R 7,247,414). The effect of the transaction resulted with the decrease in property, plant and equipment by (R 7,247,414) and has been reported as correction of error.

Property, Plant and Equipment – Furniture and Office Equipment

As per asset management policy plastic chairs have been previously capitalised on the asset register. The plastic chairs are expensed on acquisition and not capitalised. The effect of the change is a reduction of (R126,245)

Property, Plant and Equipment – Infrastructure Roads

In the previous set of financial statements for the year ending 30 June 2015, property, plant and equipment have been restated in the reporting period to the value of (R 36,688,441). The effect of the transaction resulted with the decrease in property, plant and equipment by (R 36,688,441) and has been reported as correction of error.

Heritage Assets

In the previous set of financial statements for the year ending 30 June 2015, heritage assets have been restated to account for the assets erroneously omitted resulting with the understatement of the heritage assets to the value of (R 549,000). The impact of the restatement have been reported as correction of error.

Intangible assets

In the previous set of financial statements for the year ending 30 June 2015, the figure indicated under intangible assets was incorrectly stated as a result of omission of other intangible assets belonging to the municipality to the value of (R 174,240).

CURRENT LIABILITIES

Vat payable

In the previous set of financial statements for the year ending 30 June 2015, vat payable have been restated on correction of expenditure accrued. The effect of the transaction amount to the increase of (R 1,198,155S) in vat payable and is recorded as correction error.

Payables from exchange transactions

In the previous set of financial statements for the year ending 30 June 2015, payables from exchange transactions expensed amounting to (R 93). The effect of the transaction resulted with the decrease in payables from exchange transactions and general expenses.

NON CURRENT LIABILITIES

Provisions

Notes to the Annual Financial Statements

41. Prior period errors (continued)

In the previous set of financial statements for the year ending 30 June 2015, provision for landfill site and Vhembe Debtors have been restated on correction of provision for landfill site. The effect of the transaction amount to the increase of (R 2,259,400) and (R207,293) respectively in provision for landfill site is recorded as correction error.

THE IMPACT OF THE CORRECTION OF ERROR IS AS FOLLOWS:

Statement of financial position	
Property, plant and equipment	(65 054 262)
Inventories	9 670 000
Sundry debtors	(55 936 618)
Consumer Debtors – Non-exchange transactions.	12 514 645
Receivables from non-exchange transactions	(4 219 091)
Cash and cash equivalents	(1 953 065)
Heritage Assets	549 000
Intangible assets increased	174 240
Depreciation	(34 928)
Vat payable	(1 198 155)
Payables from exchange transactions	93
Provisions	2 259 400
Vhembe Debtors	207 293
Statement of Financial Performance	
Property Rates	(12 366)
Fines, Penalties and Forfeits	2 968 147
Finance Cost	7 416
	-
	-
	-
	-
	-

42. Risk management

Capital risk management

The municipality's objectives when managing capital are to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality as disclosed in the cash and cash equivalents note, 7 and the equity as disclosed in the statement of financial position.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient investment in cash to ensure that funding is available to settle liabilities as they become available.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequately utilised borrowing facilities are monitored.

Notes to the Annual Financial Statements

42. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

This risk arises due to changes in the financial circumstances of the counter party and other factors subsequent to the municipality obtaining the financial asset.

Sundry debtors, receivables from non-exchange transactions, consumer debtors and consumer deposits comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

There have been no material change in credit risk exposure by the municipality from the previous year.

Financial assets exposed to credit risk at year end were as follows:

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality charge the interest rate of 15% on the outstanding customer accounts.

For quantitative information on cash flow interest rate risk refer to liquidity risk above.

43. Fruitless and wasteful expenditure

Opening balance
Add: Fruitless and Wasteful Expenditure - current year
Less: Amounts condoned

3 929 446	1 327 335
2 715 833	3 496 894
(2 622 349)	(894 783)
4 022 930	3 929 446

44. Irregular expenditure

Opening balance
Add: Irregular Expenditure - current year
Less: Amounts condoned

114 376 731	6 589 075
139 407 090	114 376 731
(253 783 821)	(6 589 075)
-	114 376 731

Notes to the Annual Financial Statements

44. Irregular expenditure (continued)

Analysis of expenditure awaiting condonation per age classification

Prior year	Current year	Condoned by Council
114 376 731	139 407 090	114 376 731
6 589 075	(253 783 821)	(6 589 075)
-	-	114 376 731

A deed of register in respect of irregular expenditures relating to bids awarded and non-declaration of interest which occurred during the financial year amounting to R 139 407 090 is available at municipal offices for inspection. The prior year disclosure of R78 766 187 was based on a sample tested by the auditor and the R114 376 731 disclosed represents the full population.

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	Amount paid - current year
2 489 660	(2 489 660)
2 335 670	(2 335 670)
-	-

Audit fees

Current year subscription / fee	Amount paid - current year
3 555 390	(3 555 390)
3 519 772	(3 519 772)
-	-

PAYE and UIF

Current year subscription / fee	Amount paid - current year
34 066 483	(34 066 483)
32 336 804	(32 336 804)
-	-

Pension and Medical Aid Deductions

Current year subscription / fee	Amount paid - current year
60 125 622	(60 125 622)
58 012 280	(58 012 280)
-	-

VAT

VAT payable

19 125 785	7 032 188
------------	-----------

All VAT returns have been submitted by the due date throughout the year.

Notes to the Annual Financial Statements

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councilors had arrear accounts outstanding as at 30 June 2016:

[illegible]

30 June 2015		30 June 2014	
Baloyi S R	5 055	3 296	8 351
Mathoma M P	7 407	-	7 407
Mahladisa S V	633	1 357	1 990
Mukhari M F	1 304	2 621	3 925
Mamorobela T	2 287	-	2 287
Underwood J P	2 372	-	2 372
Outstanding less than 90 days	19 058	7 274	26 332
Outstanding more than 90 days			
Total			

During the year the following Councilors' had arrear accounts outstanding for more than 90 days.

30 June 2016	Baloyi S R	5 935	90
	Mahladisa S V	3 615	90
	Mukhani M F	5 645	90
	Mukhani M F	1 413	90
		16 608	360
	Highest		
	outstanding		
	(in days)		
	Aging		
	amount		

[illegible]

46. Events after the reporting date

The identified assets for transfer to new entity are listed as follows at fair value as at 30 June 2015:

Notes to the Annual Financial Statements

MAKHADO LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2016

46. Events after the reporting date (continued)

Computer
Machinery
Furniture
Community assets
Land and buildings
Roads
WIP

10 215	-
2 021 834	-
157 468	-
9 064 511	-
1 331 835	-
102 884	-
30 940 167	-
43 628 914	-

The cost of salaries for transfer of 62 employees as per organisational structure is R15 279 510.

The Receivables from exchange and non-exchange transactions: R5 248 219.

A new municipality namely LIM 345 has been established via legislation whereby assets and staff will be transferred from Makhado Municipality to the new Municipality LIM 345 as per agreement.

47. Unauthorised expenditure

4 384 000	-
(4 384 000)	-
-	-

Notes to the Annual Financial Statements

48. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The following is the quotation and tender deviation for the year as approved by the Accounting Officer. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Quotation deviations for the 2015/2016 financial year in terms of the Supply Chain Management Regulations amounted to R 6 276 052.57.

MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2016

Notes to the Annual Financial Statements

49. Detailed explanation of variances between actual and budgeted amounts 30 June 2016

	Current year actuals	Current year final budget	Variance	% variance	Explanations of material variances above 5%
Property rates	51 678 469	49 712 000	3 064 619		6 The increase is due to increased payment patterns from consumers.
Service charges	283 998 071	305 222 000	(21 223 929)		(7) The decrease is due to consumers not servicing electricity bills timely. 28 The increase is due to the increased equitable share from National Treasury and MIG.
Government grants and subsidies	501 749 322	363 596 000	138 153 322		(66) Reduced rental demand of municipal properties. (49) The decrease is as a result of debtors written off during the year.
Rental of facilities and equipments	271 034	449 000	(177 966)		
Interest received- outstanding receivables	8 060 616	11 981 000	(3 920 384)		
Licences and permits	8 910 195	11 311 000	(2 400 805)		(27) The decrease is due to reduced licence renewals and permits.
Other income	8 451 071	5 346 000	3 794 477		47 The increase is due to increased income from sale of bid documents
Interest earned-external investment	7 213 850	3 785 000	3 428 850		48 The increase is due to investments held for a longer period.
Fines, Penalties and Forfeits	7 516 622	1 641 000	5 875 622		78 The increase is due to more fines issued and an increase in income received from fines.
Total revenue	<u>877 849 250</u>	<u>753 043 000</u>	<u>126 593 806</u>		
Employee related costs	(222 608 898)	(252 265 000)	29 758 204		13 The decrease is due to reduced overtime and SALGA increase was less than the budgeted amount.
Remuneration of councillors	(22 757 811)	(24 997 000)	2 239 189		10 The SALGA increase was less than the budgeted amount.
Depreciation	(106 225 064)	(153 426 000)	47 200 936		44 The variance was the result of reassessment of useful lives of assets and assets reaching expected useful lives.
Impairment of non-cash generating assets	(3 500 262)	-	(3 500 262)		100
Finance costs	(13 733 802)	(7 343 000)	(6 390 802)		47 This is due to finance cost raised on provision for rehabilitation of landfill site as result of change in estimated date for finalisation of rehabilitation process.
Debt impairment	(51 176 994)	(30 000 000)	(21 176 994)		41 The variance is as a result of debtors written off during the year affecting the calculation of the provision for the financial year.
Repairs and maintenance	(39 770 804)	-	(39 770 804)		100 The municipality spent less on repairs and maintenance during the year than anticipated.
Bulk purchases	(219 288 145)	(224 239 000)	4 950 855		47
General expenses	(168 840 510)	(240 145 000)	80 151 151		2
Total expenditure	<u>(787 659 126)</u>	<u>(932 415 000)</u>	<u>144 755 874</u>		

Notes to the Annual Financial Statements

50. Related parties

Makhado Local Municipality, is a category B municipalities which in terms of the Constitution of South Africa, section 155 (1) (b) means, "A Municipality that shares executive and legislative authority in its area with a category C municipality within whose area it falls. "Vhembe municipality"

Makhado Municipality is an performing agency services on behalf of Vhembe District Municipality.

Council does not have and associates nor any joint ventures or any other form of association that may be defined as related parties

Relationships
Members of key management
Remuneration of councillors
Vhembe District Municipality
Refer to note 26
Refer to note 27
Water services

Municipality is involved in an Agency relationship with Vhembe District Municipality.

Municipality runs billing services for water consumption on behalf of the District. Expenditure of water related services was subsequently written off by council refer to note general expenditure disclosure.

Related party balances

Loan accounts - Owning (to) by related parties
Vhembe District Municipality

73 101 576 51 582 729

MAKHADO LOCAL MUNICIPALITY
Appendix A

Schedule of external loans as at 30 June 2016

Loan Number	Amount	Balance at 30 June 2015	Interest paid	Redeemed written off during the period	Balance at 30 June 2016	Current portion	Long term portion
		Rand	Rand	Rand	Rand	Rand	Rand
Annuity Loans							
INCA	Makh-00-0001	12,656,600	-	-	-	-	-
Development Bank of South Africa	61000712	7,000,000	-	1 068 031	2 472 011	1 147 865	1 324 146
Development Bank of South Africa	61000713	2,110,000	-	345 960	745 553	359 022	386 531
Total external loans							
		4 631 555	-	1 413 991	3 217 564	1 506 887	1 710 677
Annuity Loans							
		4 631 555	-	1 413 991	3 217 564	1 506 887	1 710 677
		4 631 555	-	1 413 991	3 217 564	1 506 887	1 710 677

MAKHADO LOCAL MUNICIPALITY

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation

Accumulated depreciation

	Opening Balance	Correction of prior year error	Additions	Under Construction 2016	Disposals	Work in progress	Closing Balance	Opening balance	Correction of prior year error	Additions	Disposals	Impairment	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings														
Developed land	215 242 951	-	-	-	-	-	215 242 951	-	-	-	-	-	-	215 242 952
Undeveloped land	80 178 874	(33 613 235)	-	-	-	-	46 565 639	868 404	-	789 082	-	-	1 657 496	44 908 143
Dwellings	17 846 547	-	-	-	-	-	17 846 547	2 448 164	-	570 633	-	-	3 018 787	14 827 750
Landfill site	18 417 525	419 880	-	7 506 582	-	-	28 343 987	8 345 647	-	1 251 128	-	-	9 596 775	16 347 212
Non residential structures	38 089 595	(1 313 744)	153 144	8 141 903	-	-	46 069 898	11 883 736	-	1 183 530	-	-	13 087 286	32 002 632
	369 774 492	(34 507 099)	153 144	15 648 485	-	-	351 069 022	23 545 951	-	3 794 383	-	-	27 340 334	323 728 689
Infrastructure														
Electricity	913 692 053	6 792 515	8 271 235	9 065 580	(3 472 801)	-	934 308 682	376 187 324	-	41 065 999	-	-	417 253 323	517 055 259
Roads	1 116 624 139	-	152 377 591	24 829 191	(1 46 757 168)	-	1 149 073 753	301 748 426	-	48 612 043	-	5 625 740	355 986 209	753 087 544
	2 032 286 192	6 792 515	160 648 826	33 884 771	(150 229 969)	-	2 083 382 335	677 936 750	-	89 678 042	-	5 625 740	773 239 532	1 310 142 803
Other														
Machinery and equipment	29 465 279	16 847	1 031 151	-	-	-	30 613 277	15 317 374	-	3 252 331	-	143 717	18 713 422	11 799 856
Furniture and office equipment	10 009 972	(180 165)	700 248	-	-	-	10 530 056	5 300 661	(53 920)	675 183	-	116 412	6 038 366	4 491 698
Computer equipment	7 325 887	(59 345)	327 987	-	-	-	7 594 629	4 842 588	-	820 744	-	54 752	5 718 084	1 876 445
Transport assets	27 669 210	-	1 086 582	-	(861 594)	-	27 904 208	14 613 123	-	3 771 284	(203 621)	176 184	18 566 970	9 547 239
	74 470 349	(222 663)	3 155 978	-	(861 594)	-	76 542 069	40 073 765	(53 920)	8 519 542	(203 621)	491 065	48 826 832	27 715 238

MAKHADO LOCAL MUNICIPALITY

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

Cos/Revaluation

Accumulated depreciation

	Opening Balance Rand	Correction of prior year error Rand	Additions Rand	Under Construction 2016 Rand	Disposals Rand	Work in progress Rand	Closing Balance Rand	Opening balance Rand	Correction of prior year error Rand	Additions Rand	Disposals Rand	Impairment Rand	Closing Balance Rand	Carrying value Rand
Finance lease														
Leased vehicles, Office and Furniture	25 025 640	(5 280 829)	-	-	-	-	19 744 811	17 257 680	-	2 152 349	(5 280 828)	-	14 129 201	5 615 611
Equipment	25 025 640	(5 280 829)	-	-	-	-	19 744 811	17 257 680	-	2 152 349	(5 280 828)	-	14 129 201	5 615 611
Community assets														
Cemeteries	6 293 689	-	-	-	-	-	6 293 689	2 373 966	-	208 923	-	-	2 582 889	3 710 789
Cemeteries perimeter protection	183 978	-	1 515 596	-	-	-	1 699 574	103 796	-	6 316	-	-	110 112	1 589 462
Community center	19 772 087	-	-	-	-	-	19 772 087	10 964 573	-	437 623	-	-	11 402 186	1 589 890
Libraries	1 183 252	-	-	-	-	-	1 183 252	512 974	-	39 438	-	-	562 412	830 841
Sport and recreational facilities	23 488 127	-	-	2 983 787	-	-	26 481 914	4 441 246	-	152 371	-	-	4 593 617	21 888 285
Library books	2 050 363	-	61 885	-	-	-	2 112 258	1 156 139	-	175 519	-	570	1 332 228	780 030
	52 971 496	-	1 577 481	2 983 787	-	-	57 542 774	19 552 694	-	1 020 190	-	570	20 573 464	36 969 317

MAKHADO LOCAL MUNICIPALITY

Appendix B

Analysis of property, plant and equipment as at 30 June 2016

Cost/Revaluation

Accumulated depreciation

	Opening Balance	Correction of prior year error	Additions	Under Construction 2016	Disposals	Work in progress	Closing Balance	Opening balance	Correction of prior year error	Additions	Disposals	Impairment	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	369 774 492	(34 507 099)	153 144	15 848 485	-	-	361 069 022	23 545 951	-	3 794 383	-	-	27 340 334	323 728 689
Infrastructure	2 032 286 192	6 792 515	160 648 826	33 884 771	(150 229 969)	-	2 083 382 335	677 935 750	-	89 678 042	-	5 625 740	773 239 832	1 310 142 803
Other	74 470 349	(222 663)	3 155 878	-	(861 594)	-	76 642 070	40 073 765	(53 920)	8 519 542	(203 621)	491 065	48 828 831	27 715 238
Finance lease	25 025 640	(5 280 828)	-	-	-	-	19 744 811	17 257 680	-	2 152 349	(5 280 828)	-	14 129 201	5 615 611
Community assets	52 871 496	-	1 577 491	2 993 787	-	-	57 542 774	19 552 694	-	1 020 190	-	570	20 673 454	38 989 317
	2 554 528 169	(33 218 078)	165 536 439	52 527 043	(151 091 563)	-	2 588 281 012	778 366 840	(53 920)	105 164 506	(5 484 449)	-	884 108 782	1 704 171 658
Investment properties														
Developed land	4 297 251	-	-	-	-	-	4 297 251	886 457	-	184 149	-	-	1 069 606	4 297 251
Dwellings	6 482 575	-	-	-	-	-	6 482 575	886 457	-	-	-	-	1 069 606	5 412 869
Non residential structures	1 975 362	-	-	-	-	-	1 975 362	-	-	-	-	-	-	1 975 362
	12 755 188	-	-	-	-	-	12 755 188	886 457	-	184 149	-	-	1 069 606	11 685 582
Intangible assets														
Intangible Assets	2 621 214	-	-	-	-	-	2 621 214	1 314 376	-	468 939	-	-	1 783 316	837 899
Intangible Assets (Software)	1 342 546	174 240	14 500	-	-	-	1 531 286	1 118 087	34 928	-	-	-	1 633 026	378 261
	3 963 760	174 240	14 500	-	-	-	4 152 500	2 432 473	34 928	468 939	-	-	2 936 340	1 216 160
Heritage assets														
Heritage assets	1 566 329	549 000	-	-	-	-	2 115 329	-	-	-	-	-	-	2 115 329
	1 566 329	549 000	-	-	-	-	2 115 329	-	-	-	-	-	-	2 115 329
Total														
Land and buildings	369 774 492	(34 507 099)	153 144	15 848 485	-	-	361 069 022	23 545 951	-	3 794 383	-	-	27 340 334	323 728 689
Infrastructure	2 032 286 192	6 792 515	160 648 826	33 884 771	(150 229 969)	-	2 083 382 335	677 935 750	-	89 678 042	-	5 625 740	773 239 832	1 310 142 803
Other	74 470 349	(222 663)	3 155 878	-	(861 594)	-	76 642 070	40 073 765	(53 920)	8 519 542	(203 621)	491 065	48 828 831	27 715 238
Finance lease	25 025 640	(5 280 828)	-	-	-	-	19 744 811	17 257 680	-	2 152 349	(5 280 828)	-	14 129 201	5 615 611
Community assets	52 871 496	-	1 577 491	2 993 787	-	-	57 542 774	19 552 694	-	1 020 190	-	570	20 673 454	38 989 317
Investment properties	12 755 188	-	-	-	-	-	12 755 188	886 457	-	-	-	-	1 069 606	11 685 582
Intangible assets	3 963 760	174 240	14 500	-	-	-	4 152 500	2 432 473	34 928	468 939	-	-	2 936 340	1 216 160
Heritage assets	1 566 329	549 000	-	-	-	-	2 115 329	-	-	-	-	-	-	2 115 329
	1 566 329	549 000	-	-	-	-	2 115 329	-	-	-	-	-	-	2 115 329
Total														
Land and buildings	369 774 492	(34 507 099)	153 144	15 848 485	-	-	361 069 022	23 545 951	-	3 794 383	-	-	27 340 334	323 728 689
Infrastructure	2 032 286 192	6 792 515	160 648 826	33 884 771	(150 229 969)	-	2 083 382 335	677 935 750	-	89 678 042	-	5 625 740	773 239 832	1 310 142 803
Other	74 470 349	(222 663)	3 155 878	-	(861 594)	-	76 642 070	40 073 765	(53 920)	8 519 542	(203 621)	491 065	48 828 831	27 715 238
Finance lease	25 025 640	(5 280 828)	-	-	-	-	19 744 811	17 257 680	-	2 152 349	(5 280 828)	-	14 129 201	5 615 611
Community assets	52 871 496	-	1 577 491	2 993 787	-	-	57 542 774	19 552 694	-	1 020 190	-	570	20 673 454	38 989 317
Investment properties	12 755 188	-	-	-	-	-	12 755 188	886 457	-	-	-	-	1 069 606	11 685 582
Intangible assets	3 963 760	174 240	14 500	-	-	-	4 152 500	2 432 473	34 928	468 939	-	-	2 936 340	1 216 160
Heritage assets	1 566 329	549 000	-	-	-	-	2 115 329	-	-	-	-	-	-	2 115 329
	1 566 329	549 000	-	-	-	-	2 115 329	-	-	-	-	-	-	2 115 329
Total														
Land and buildings	369 774 492	(34 507 099)	153 144	15 848 485	-	-	361 069 022	23 545 951	-	3 794 383	-	-	27 340 334	323 728 689
Infrastructure	2 032 286 192	6 792 515	160 648 826	33 884 771	(150 229 969)	-	2 083 382 335	677 935 750	-	89 678 042	-	5 625 740	773 239 832	1 310 142 803
Other	74 470 349	(222 663)	3 155 878	-	(861 594)	-	76 642 070	40 073 765	(53 920)	8 519 542	(203 621)	491 065	48 828 831	27 715 238
Finance lease	25 025 640	(5 280 828)	-	-	-	-	19 744 811	17 257 680	-	2 152 349	(5 280 828)	-	14 129 201	5 615 611
Community assets	52 871 496	-	1 577 491	2 993 787	-	-	57 542 774	19 552 694	-	1 020 190	-	570	20 673 454	38 989 317
Investment properties	12 755 188	-	-	-	-	-	12 755 188	886 457	-	-	-	-	1 069 606	11 685 582
Intangible assets	3 963 760	174 240	14 500	-	-	-	4 152 500	2 432 473	34 928	468 939	-	-	2 936 340	1 216 160
Heritage assets	1 566 329	549 000	-	-	-	-	2 115 329	-	-	-	-	-	-	2 115 329
	1 566 329	549 000	-	-	-	-	2 115 329	-	-	-	-	-	-	2 115 329
Total														
Land and buildings	369 774 492	(34 507 099)	153 144	15 848 485	-	-	361 069 022	23 545 951	-	3 794 383	-	-	27 340 334	323 728 689
Infrastructure	2 032 286 192	6 792 515	160 648 826	33 884 771	(150 229 969)	-	2 083 382 335	677 935 750	-	89 678 042	-	5 625 740	773 239 832	1 310 142 803
Other	74 470 349	(222 663)	3 155 878	-	(861 594)	-	76 642 070	40 073 765	(53 920)	8 519 542	(203 621)	491 065	48 828 831	27 715 238
Finance lease	25 025 640	(5 280 828)	-	-	-	-	19 744 811	17 257 680	-	2 152 349	(5 280 828)	-	14 129 201	5 615 611
Community assets	52 871 496	-	1 577 491	2 993 787	-	-	57 542 774	19 552 694	-	1 020 190	-	570	20 673 454	38 989 317
Investment properties	12 755 188	-	-	-	-	-	12 755 188	886 457	-	-	-	-	1 069 606	11 685 582
Intangible assets	3 963 760	174 240	14 500	-	-	-	4 152 500	2 432 473	34 928	468 939	-	-	2 936 340	1 216 160
Heritage assets	1 566 329	549 000	-	-	-	-	2 115 329	-	-	-	-	-	-	2 115 329
	1 566 329	549 000	-	-	-	-	2 115 329	-	-	-	-	-	-	2 115 329
Total														
Land and buildings	369 774 492	(34 507 099)	153 144	15 848 485	-	-	361 069 022	23 545 951	-	3 794 383	-	-	27 340 334	323 728 689
Infrastructure	2 032 286 192	6 792 515	160 648 826	33 884 771	(150 229 969)	-	2 083 382 335	677 935 750	-	89 678 042	-	5 625 740	773 239 832	1 310 142 803
Other	74 470 349	(222 663)	3 155 878	-	(861 594)	-	76 642 070	40 073 765	(53 920)	8 519 542	(203 621)	491 065	48 828 831	27 715 238
Finance lease	25 025 640	(5 280 828)	-	-	-	-	19 744 811	17 257 680	-	2 152 349	(5 280 828)	-	14 129 201	5 615 611
Community assets	52 871 496	-	1 577 491	2 993 787	-	-	57 542 774	19 552 694	-	1 020 190	-	570	20 673 454	38 989 317
Investment properties	12 755 188	-	-	-	-	-	12 755 188	886 457	-	-	-	-	1 069 606	11 685 582
Intangible assets	3 963 760	174 240	14 500	-	-	-	4 152 500	2 432 473	34 928	468 939	-	-	2 936 340	1 216 160
Heritage assets	1 566 329	549 000	-	-	-	-	2 115 329	-	-	-	-	-	-	2 115 329
	1 566 329	549 000	-	-	-	-	2 115 329	-	-	-	-	-	-	2 115 329
Total														
Land and buildings	369 774 492	(34 507 099)	153 144	15 848 485	-	-	361 069 022	23 545 951	-	3 794 383	-	-	27 340 334	323 728 689
Infrastructure	2 032 286 192	6 792 515	160 648 826	33 884 771	(150 229 969)	-	2 083 382 335	677 935 750	-	89 678 042	-	5 625 740	773 239 832	1 310 142 803
Other	74 470 349	(222 663)	3 155 878	-	(861 594)	-	76 642 070	40 073 765	(53 920)	8 519 542	(203 621)	491 065	48 828 831	27 715 238
Finance lease	25 025 640	(5 280 828)	-	-	-	-	19 744 811	17 257 680	-	2 152 349	(5 280 828)	-	14 129 201	5 615 611
Community assets	52 871 496	-	1 577 491	2 993 787	-	-	57 542 774	19 552 694	-	1 020 190	-	570	20 673 454	38 989 317
Investment properties	12 755 188	-	-	-	-	-	12 755 188	886 457	-	-	-	-	1 069 606	11 685 582
Intangible assets	3 963 760	174 240	14 500	-	-	-	4 152 500	2 432 473	34 928	468 939	-	-	2 936 340	1 216 160
Heritage assets	1 566 329	549 000	-	-	-	-	2 115 329	-	-	-	-	-	-	2 115 329
	1 566 329	549 000	-	-	-	-	2 115 329	-	-	-	-	-	-	2 115 329
Total														
Land and buildings	369 774 492	(34 507 099)	153 144	15 848 485	-	-	361 069 022	23 545 951	-	3 794 383	-	-	27 340 334	323 728 689
Infrastructure	2 032 286 192	6 792 515	160 648 826	33 884 771	(150 229 969)	-	2 083 382 335	677 935 750	-	89 678 042	-	5 625 740	773 239 832	1 310 142 803
Other	74 470 349	(222 663)	3 155 878	-	(861 594)	-	76 642 070	40 073 765	(53 920)	8 519 542	(203 621)	491 065	48 828 831	27 715

MAKHADO LOCAL MUNICIPALITY

Appendix B

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Correction of errors Rand	Additions Rand	Transfers Rand	Disposals Rand	Work in progress Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Work in progress Rand	Impairment Loss Rand	Closing Balance Rand	Carrying Value Rand
Land and buildings														
Developed land	220 634 138	(5 391 186)	-	-	-	-	216 242 952	-	-	-	-	-	-	216 242 952
Undeveloped land	105 007 980	(24 829 106)	-	-	-	-	80 178 874	79 312	-	789 082	-	-	868 404	79 310 470
Dwellings	17 846 547	-	-	-	-	-	17 846 547	1 877 604	-	570 560	-	-	2 448 164	15 398 383
Landfill site	13 851 601	-	(209 940)	(3 526 420)	-	8 302 284	18 417 526	6 925 201	-	1 420 446	-	-	8 346 647	10 071 878
Non residential structures	35 641 261	-	1 133 590	-	-	1 313 744	38 088 696	10 762 150	-	1 101 586	-	-	11 883 736	28 204 856
	382 981 627	(30 220 292)	923 650	(3 526 420)	-	9 616 028	369 774 483	19 664 287	-	3 881 684	-	-	23 546 961	346 228 641
Infrastructure														
Electricity	931 052 840	-	2 049 939	(22 913 527)	-	3 472 801	913 662 053	335 123 638	154 607	40 909 079	-	-	378 187 324	537 474 729
Roads	1 003 553 640	-	5 913 320	(23 370 082)	-	132 727 231	1 118 624 138	257 865 485	-	43 882 931	-	-	301 748 426	816 875 713
	1 934 408 480	-	7 963 259	(46 283 679)	-	136 200 032	2 032 286 192	592 989 133	154 607	84 782 010	-	-	677 936 750	1 364 350 442
Other														
Machinery and equipment	28 123 090	-	2 078 895	-	(736 705)	-	29 465 280	12 784 264	-	2 991 226	-	-	16 317 373	14 147 906
Furniture and office equipment	9 410 131	-	630 787	-	(30 946)	-	10 009 972	4 647 674	-	677 304	-	-	6 300 681	4 709 292
Computer equipment	6 677 886	42 105	675 285	-	(69 386)	-	7 326 888	4 086 536	4 199	807 875	-	-	4 842 688	2 483 289
Transport assets	35 576 259	-	2 247 885	-	(10 154 934)	-	27 669 210	17 128 580	-	4 252 726	-	-	14 613 123	13 056 088
	79 787 366	42 105	5 632 862	-	(10 981 983)	-	74 470 350	38 667 064	4 199	8 729 131	-	-	40 073 765	34 396 585

MAKHADO LOCAL MUNICIPALITY Appendix B

Analysis of property, plant and equipment as at 30 June 2015 Cost/Revaluation

Accumulated depreciation

Opening Balance Rand	Correction of errors Rand	Additions Rand	Transfers Rand	Disposals Rand	Work in progress Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Work in progress Rand	Impairment Loss Rand	Closing Balance Rand	Carrying value Rand
----------------------	---------------------------	----------------	----------------	----------------	-----------------------	----------------------	----------------------	---------------------------	----------------	-----------------------	----------------------	----------------------	---------------------

Finance leases
Leased vehicles, Office and Furniture
Equipment

Investment property
Community assets

Cemeteries
Cemeteries perimeter protection
Community center
Libraries
Sport and recreational facilities
Library books

25 025 640	-	-	-	-	-	25 025 640	14 665 263	-	2 592 417	-	-	17 257 680	7 767 960
25 025 640	-	-	-	-	-	25 025 640	14 665 263	-	2 592 417	-	-	17 257 680	7 767 960
6 293 689	-	-	-	-	-	6 293 689	2 165 043	-	208 923	-	-	2 373 966	3 919 722
183 978	-	-	-	-	-	183 978	99 620	-	4 276	-	-	103 796	80 183
19 772 067	-	-	-	-	-	19 772 067	10 526 860	-	437 623	-	-	10 964 673	8 807 513
1 183 262	-	-	-	-	-	1 183 262	473 536	-	39 436	-	-	612 974	670 278
12 172 351	-	6 187 484	(1 183 989)	-	6 312 281	23 468 127	4 101 812	-	399 434	-	-	4 441 246	19 046 880
2 050 363	-	-	-	-	-	2 050 363	746 347	-	409 792	-	-	1 166 139	894 225
41 655 720	-	6 187 484	(1 183 989)	-	6 312 281	52 971 496	18 113 208	-	1 439 486	-	-	19 562 694	33 418 801

MAKHADO LOCAL MUNICIPALITY

Appendix B

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation

Accumulated depreciation

	Opening Balance Rand	Correction of errors Rand	Additions Rand	Transfers Rand	Disposals Rand	Work in progress Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Work in progress Rand	Impairment Loss Rand	Closing Balance Rand	Carrying Value Rand
Total property plant and equipment														
Land and buildings	392 981 527	(30 220 292)	923 650	(3 526 420)	-	9 616 028	389 774 493	19 664 267	-	3 981 684	-	-	23 646 951	346 228 541
Infrastructure	1 934 406 480	-	7 963 259	(46 283 579)	-	136 200 032	2 032 286 192	592 989 133	154 607	84 792 010	-	-	677 935 750	1 354 350 442
Other	79 787 366	42 105	5 632 862	-	(10 991 983)	-	74 470 350	38 667 054	4 199	8 729 131	-	-	40 073 765	34 396 565
Finance leases	25 025 640	-	-	-	-	-	26 026 640	14 685 283	-	2 992 417	-	-	17 267 680	7 767 960
Community assets	41 635 720	-	6 167 464	(1 183 989)	-	6 312 281	52 971 496	18 113 208	-	1 439 486	-	-	19 652 694	33 418 801
2 473 856 733	(30 178 187)	20 707 265	(50 993 989)		(10 991 983)	152 128 341	2 554 528 171	684 096 925	158 806	101 434 728	-	-	778 365 840	1 776 162 328
Investment properties														
Developed land	44 033 525	(39 736 274)	-	-	-	-	4 297 251	-	-	-	-	-	-	4 297 251
Dwellings	6 482 575	-	-	-	-	-	6 482 575	701 037	-	164 419	-	-	886 456	5 597 116
Non residential structures	1 975 362	-	-	-	-	-	1 975 362	-	-	-	-	-	-	1 975 362
52 491 462	(39 736 274)	-	-	-	-	-	12 755 188	701 037	-	164 419	-	-	886 456	11 669 733
Intangible assets														
Computers - software & programming	1 843 053	1 562 561	558 147	-	-	-	3 963 761	1 298 724	743 745	390 004	-	-	2 432 473	1 531 288
1 843 053	1 562 561	558 147	-	-	-	-	3 963 761	1 298 724	743 745	390 004	-	-	2 432 473	1 531 288
Heritage assets														
Heritage assets	1 051 979	514 350	-	-	-	-	1 566 329	-	-	-	-	-	-	1 566 329
1 051 979	514 350	-	-	-	-	-	1 566 329	-	-	-	-	-	-	1 566 329
Total														
Land and buildings	392 981 527	(30 220 292)	923 650	(3 526 420)	-	9 616 028	389 774 493	19 664 267	-	3 981 684	-	-	23 646 951	346 228 541
Infrastructure	1 934 406 480	-	7 963 259	(46 283 579)	-	136 200 032	2 032 286 192	592 989 133	154 607	84 792 010	-	-	677 935 750	1 354 350 442
Other	79 787 366	42 105	5 632 862	-	(10 991 983)	-	74 470 350	38 667 054	4 199	8 729 131	-	-	40 073 765	34 396 565
Finance leases	25 025 640	-	-	-	-	-	26 026 640	14 685 283	-	2 992 417	-	-	17 267 680	7 767 960
Community assets	41 655 720	-	6 187 464	(1 183 989)	-	6 312 281	52 971 496	18 113 208	-	1 439 486	-	-	19 652 694	33 418 801
Investment properties	52 491 462	(39 736 274)	-	-	-	-	12 755 188	701 037	-	164 419	-	-	886 456	11 669 733
Intangible assets	1 843 053	1 562 561	558 147	-	-	-	3 963 761	1 298 724	743 745	390 004	-	-	2 432 473	1 531 288
Heritage assets	1 051 979	514 350	-	-	-	-	1 566 329	-	-	-	-	-	-	1 566 329
2 529 243 227	(67 837 550)	21 265 402	(50 993 989)		(10 991 983)	152 128 341	2 572 813 449	686 096 586	802 551	102 009 151	-	-	781 603 768	1 791 129 659

MAKHADO LOCAL MUNICIPALITY
Appendix C
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2016

2015/2016															2015/2016														
Original Budget	Budget Adjustments (l.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (l.t.o. s31 of the MFMA)	Virement (l.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome															
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand															
Revenue by Vote																													
Executive and Council	466 605 167	50 987 000	519 592 167	-	519 592 167	475 928 320		(43 663 847)	92 %	102 %				-															
Waste Management	6 677 310	-	6 677 310	-	6 677 310	6 328 837		(347 373)	95 %	95 %				-															
Roads Transport	13 017 094	-	13 017 094	-	13 017 094	16 702 691		3 685 597	128 %	128 %				-															
Water	-	-	-	-	-	76 398		76 398	DIV/0 %	DIV/0 %				-															
Electricity	305 220 878	2 672 487	307 893 365	-	307 893 365	298 191 925		(8 701 440)	97 %	98 %				-															
Corporate Services	50 070 442	6 126 784	56 197 226	-	56 197 226	53 727 906		(2 469 318)	96 %	107 %				-															
Planning and Development	490 927	500 000	990 927	-	990 927	2 372 886		1 382 059	239 %	483 %				-															
Community and Social Services	91 585	-	91 585	-	91 585	50 117		(41 468)	55 %	55 %				-															
Housing	55 592	-	55 592	-	55 592	44 470		(11 122)	80 %	80 %				-															
Other	-	-	-	-	-	3 222 204		3 222 204	DIV/0 %	DIV/0 %				-															
Sports and Recreation	-	-	-	-	-	34 293		34 293	DIV/0 %	DIV/0 %				-															
Budget and Treasury	36 625 553	1 166 828	37 792 381	-	37 792 381	28 248 945		(11 543 436)	69 %	72 %				-															
Total Revenue by Vote	880 854 548	61 453 039	942 307 647	-	942 307 647	883 930 194		(58 377 453)	94 %	100 %				-															
Expenditure by Vote to be appropriated																													
Executive and Council	105 771 721	61 218 901	166 990 622	-	166 990 622	141 486 145	-	(25 505 477)	85 %	134 %	-	-	-	-															
Waste and Management	22 634 987	10 512 416	33 147 403	-	33 147 403	20 141 609	-	(13 005 794)	61 %	89 %	-	-	-	-															
Roads Transport	25 228 755	37 850	25 266 705	-	25 266 705	26 223 265	-	956 560	104 %	104 %	-	-	-	-															
Water	19 079 906	-	19 079 906	-	19 079 906	578 184	-	(18 501 722)	3 %	3 %	-	-	-	-															
Electricity	277 104 188	3 364 105	280 468 293	-	280 468 293	269 571 725	-	(10 896 568)	96 %	97 %	-	-	-	-															
Corporate Services	39 431 026	-	39 431 026	-	39 431 026	39 821 157	-	490 131	101 %	101 %	-	-	-	-															
Planning and Development	50 337 069	2 733 886	53 070 955	-	53 070 955	50 933 178	-	(2 137 777)	96 %	101 %	-	-	-	-															
Community and Social Services	7 488 817	560 561	8 047 378	-	8 047 378	7 262 748	-	(784 630)	90 %	97 %	-	-	-	-															
Other	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-															
Sports and Recreation	21 105 541	5 550 137	26 655 678	-	26 655 678	15 103 106	-	(11 552 572)	57 %	72 %	-	-	-	-															
Budget and Treasury	17 632 163	6 322 944	23 955 107	-	23 955 107	14 867 380	-	(9 087 727)	62 %	84 %	-	-	-	-															
	249 317 448	6 987 237	256 304 685	-	256 304 685	267 895 737	-	11 591 052	105 %	107 %	-	-	-	-															
Total Expenditure by Vote	835 129 621	97 288 137	932 417 758	-	932 417 758	853 983 234	-	(78 434 524)	92 %	102 %	-	-	-	-															
Surplus/(Deficit) for the year	46 724 927	(35 835 039)	9 889 889	-	9 889 889	29 946 960		20 067 071	303 %	65 %				-															